

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

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FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

FOR THE YEAR ENDED

MARCH 31, 2013

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MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
MARCH 31, 2013

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September 24, 2013

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Morehouse Community Improvement Organization, Inc.  
Bastrop, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Morehouse Community Improvement Organization, Inc., which comprise the statement of financial position as of March 31, 2013, and related statement of activities, schedule of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Morehouse Community Improvement Organization, Inc., as of March 31, 2013, and the respective changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying supplementary schedule, listed as "Supplementary Financial Information" in the table of contents and shown on page 17 is presented for purposes of additional analysis for the purpose of providing the funding sources of Morehouse Community Improvement Organization, Inc. and is not a required part of the financial statements. The information is prepared on a prescribed basis of the funding sources of Morehouse Community Improvement Organization, Inc. The schedules are not presented in accordance with generally accepted accounting principles. Accordingly, the schedule mentioned previously and shown on page 17 is not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects on the prescribed basis of the funding sources of Morehouse Community Improvement Organization, Inc.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013 on our consideration of Morehouse Community Improvement Organization, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morehouse Community Improvement Organization, Inc.'s internal control over financial reporting and compliance.

*Johnston, Perry, Johnson & Associates, L.L.P.*

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2013

ASSETS

CURRENT ASSETS

Cash in Bank	53,993
Accounts Receivable - Grants	<u>24,491</u>
<u>TOTAL CURRENT ASSETS</u>	<u>78,484</u>

FIXED ASSETS

Furniture and Equipment (Net of Accumulated Depreciation)	<u>241,843</u>
<u>TOTAL FIXED ASSETS</u>	<u>241,843</u>
<u>TOTAL ASSETS</u>	<u>320,327</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	57,406
Advance Funding	<u>-</u>
<u>TOTAL LIABILITIES</u>	<u>57,406</u>

NET ASSETS

Unrestricted Net Assets	
Operations	21,078
Fixed Assets	241,843
Temporarily Restricted	<u>-</u>
<u>TOTAL NET ASSETS</u>	<u>262,921</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>320,327</u>

The accompanying notes are an integral part of these financial statements.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2013

	<u>Operations</u>	<u>Fixed Assets</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>UNRESTRICTED</u>				
<u>SUPPORT AND REVENUE</u>				
Grants - HHS	2,286,502	-	-	2,286,502
Grants - USDA Food Program	243,547	-	-	243,547
Donations and Interest	395,232	-	-	395,232
Fund-Raising	27,393	-	-	27,393
Other Revenue	13,804	-	-	13,804
<u>TOTAL SUPPORT AND REVENUE</u>	<u>2,966,478</u>	<u>-0-</u>	<u>-0-</u>	<u>2,966,478</u>
<u>EXPENSES</u>				
Program Services:				
Head Start (HHS)	2,405,037	56,215	-	2,461,252
USDA - Food Services	250,825	2,389	-	253,214
Youth Education	21,090	-	-	21,090
<u>TOTAL PROGRAM SERVICES</u>	<u>2,676,952</u>	<u>58,604</u>	<u>-0-</u>	<u>2,735,556</u>
<u>SUPPORT SERVICES</u>				
General and Administrative	276,851	6,061	-	282,912
<u>TOTAL SUPPORT SERVICES</u>	<u>276,851</u>	<u>6,061</u>	<u>-0-</u>	<u>282,912</u>
<u>FUND-RAISING</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
<u>TOTAL FUND-RAISING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>TOTAL EXPENSES</u>	<u>2,953,803</u>	<u>64,665</u>	<u>-0-</u>	<u>3,018,468</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>	<u>12,675</u>	<u>( 64,665)</u>	<u>-</u>	<u>( 51,990)</u>
<u>CHANGES IN NET ASSETS</u>				
Acquisition of Property	-	-	-	-0-
Gain on Asset Disposition	-	-	-	-0-
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>8,403</u>	<u>306,508</u>	<u>-0-</u>	<u>314,911</u>
<u>NET ASSETS - END OF YEAR</u>	<u>21,078</u>	<u>241,843</u>	<u>-0-</u>	<u>262,921</u>

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2013

	HEAD START	CHILD CARE FOOD PROGRAM	YOUTH EDUCATION	TOTAL PROGRAM SERVICES
Salaries	1,255,250	90,752	-	1,346,002
Fringes	<u>355,799</u>	<u>6,426</u>	<u>-</u>	<u>362,225</u>
<u>TOTAL PERSONNEL</u>	<u>1,611,049</u>	<u>97,178</u>	<u>-0-</u>	<u>1,708,227</u>
Travel	65,611	922	-	66,533
Supplies	24,232	4,879	1,585	30,696
Food	28,374	119,334	-	147,708
Contractual	52,392	600	-	52,992
Donations	-	-	19,380	19,380
Other Costs	<u>623,379</u>	<u>27,912</u>	<u>125</u>	<u>651,416</u>
<u>TOTAL EXPENSES</u> <u>BEFORE DEPRECIATION</u>	2,405,037	250,825	21,090	2,676,952
<u>DEPRECIATION</u>	<u>56,215</u>	<u>2,389</u>	<u>-</u>	<u>58,604</u>
<u>TOTAL EXPENSES</u>	<u>2,461,252</u>	<u>253,214</u>	<u>21,090</u>	<u>2,735,556</u>

The accompanying notes are an integral part of these financial statements.



MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 2013

	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTAL EXPENSES</u>
Salaries	156,046	1,502,048
Fringes	<u>29,564</u>	<u>391,789</u>
<u>TOTAL PERSONNEL</u>	<u>185,610</u>	<u>1,893,837</u>
Travel	6,537	73,070
Supplies	13,392	44,088
Food	-	147,708
Contractual	10,400	63,392
Donations	-	19,380
Other Costs	<u>60,912</u>	<u>712,328</u>
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	276,851	2,953,803
<u>DEPRECIATION</u>	<u>6,061</u>	<u>64,665</u>
<u>TOTAL EXPENSES</u>	<u>282,912</u>	<u>3,018,468</u>

The accompanying notes are an integral part of these financial statements.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2013

CASH FLOWS USED FOR OPERATING ACTIVITIES:

Change in Net Assets	(51,990)
Adjustments to Reconcile Changes in Net Assets To Net Cash Used for Operating Activities:	
Depreciation	64,665
(Increase) Decrease in Accounts Receivable - Grants	4,425
(Increase) Decrease in Accounts Payable and Accrued Expenses	23,767
Increase (Decrease) in Advance Funding	<u>-</u>
Net Cash Provided (Used) for Operating Activities	<u>40,867</u>

CASH FLOWS USED FOR INVESTING ACTIVITIES:

Purchase of Fixed Assets	<u>-</u>
Net Cash Provided (Used) for Investing Activities	<u>-0-</u>

<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	40,867
<u>CASH AND CASH EQUIVALENTS - MARCH 31, 2012</u>	<u>13,126</u>
<u>CASH AND CASH EQUIVALENTS - MARCH 31, 2013</u>	<u>53,993</u>

SUPPLEMENTAL DATA

Interest Paid	-0-
Income Taxes Paid	-0-

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Statement of Presentation

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America for not-for-profit organizations.

B. Organization

Morehouse Community Improvement Organization, Inc. was organized to promote and develop economic opportunities for the people of Morehouse and West Carroll parishes. The Organization is operated exclusively for charitable, educational, and scientific purposes. The main operation is a Head Start program. The Organization is not a component unit of any other governmental organization.

C. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

E. Fixed Assets

Fixed assets acquired by the Organization are considered to be owned by the Organization. However, State and Federal funding sources maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State and Federal governments have a reversionary interest in those assets purchased with its funds.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Fixed Assets (Continued)

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the estimated service lives of the assets.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The following yearly lives have been assigned to the fixed assets:

Computer Equipment and Vehicles	5
Furniture, Fixtures and Equipment	7
Improvements	10
Buildings	39

Net values are computed as follows:

Computer Equipment and Vehicles	565,009
Furniture, Fixtures and Equipment	619,614
Improvements	388,304
Buildings	<u>128,167</u>
Total	1,701,094
Less: Accumulated Depreciation	<u>1,459,251</u>
<u>NET VALUE</u>	<u>241,843</u>

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

F. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the contributions are recognized.

G. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

H. Cash in Bank

All funds are in institutions insured by an agency of the Federal Government, the Federal Deposit Insurance Corporation. The Organization had \$-0- in the bank that was not insured by an agency of the federal government.

I. Related Party Transactions

There were no related party transactions for the year ended March 31, 2013.

J. Advertising Costs

Advertising costs are expensed as they are incurred. Advertising expenses for the year ended March 31, 2013 were \$-0-.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2013

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS:

The Organization receives its monies through various methods of funding. Most of the funds are received on a grant basis from federal, state and local sources. Under this method funds are received as needed or on a monthly or quarterly allocation of the total budget (grant) in advance of the actual expenditure. The Organization also receives funds as a reimbursement of actual expenditures, and upon a per unit of service provided method. The Organization also receives funds by contributions from both public and private sources.

Grants and contracts received for the period April 1, 2012 to March 31, 2013 are as follows:

<u>Funding Source</u>	<u>Revenue Recognized</u>
Federal	
Department of Health and Human Services (Excludes Interest Earned on Grant Funds)	
Head Start	2,286,502
Louisiana	
Department of Education	243,547

The loss of either of these funding sources could have a negative effect on the Organization. The Head Start program is considered a major program.

The Organization operates the following programs:

Head Start Program - provides comprehensive early childhood development for disadvantaged pre-school children and their families.

USDA - Child and Adult Care Food Program - provides a food service program in coordination with the Head Start Program.

Youth Education - provides funding for various youth education activities.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2013

NOTE 3 - GRANTS RECEIVABLE:

Grants receivable at March 31, 2013, consists of reimbursements for expenses incurred under the various grant programs. The following list presents grants receivable by fund at March 31, 2013:

Department of Education	23,919
Department of Health and Human Services	<u>572</u>
<u>TOTAL</u>	<u>24,491</u>

Management has determined that the receivable for bad debts is not material. Uncollectible amounts for other promises to give are also expected to be insignificant. Receivables are written off when management deems them not collectible.

NOTE 4 - BOARD OF DIRECTORS' COMPENSATION:

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE 5 - NON-CASH CONTRIBUTIONS:

The Organization received various non-cash contributions for the Head Start Program during the year from private and public sources. Contributions for Occupancy costs totaled \$395,232, and have been reported as revenues, as these costs meet the criteria for recognition as contributions, and the offsetting expenses have been reported in the financial statements. The Organization also received donated services from volunteers which have not been recognized as revenue in the basic financial statements as these costs do not meet the criteria for recognition as contributions.

Donated services are recognized as contributions in accordance with professional standards (FASB ASC 958-605-25-16), if the services create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and would need to be purchased if they were not donated.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2013

NOTE 5 - NON-CASH CONTRIBUTIONS: (Continued)

Donated facilities are recognized as contributions in accordance with professional standards (FASB ASC 958-605-52-24) as the organization receives free use of its facilities.

NOTE 6 - INCOME TAX STATUS:

The Organization, a non-profit corporation, is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

NOTE 7 - ACCRUED LEAVE:

Management has determined that the liability for accrued leave, if any, is not material.

NOTE 8 - NONCOMPLIANCE FINDINGS AND QUESTIONED COSTS:

The Organization receives funding/grants from various government agencies and such funding is subject to certain requirements and conditions. The items listed in the schedule of findings and questioned costs will be reviewed by the appropriate funding agency and a final resolution of the questioned costs will be made by such agency.

NOTE 9 - RETIREMENT:

The Organization does not maintain a retirement plan outside of social security for its employees.

NOTE 10 - FINANCIAL STATEMENT PRESENTATION:

Accounting standards require the Organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. They also require recognition of contributions, including contributed services meeting certain criteria, at fair values. Standards have been established for general purpose external financial statements of not-for-profit organizations, and a statement of financial position, a statement of activities, and a statement of cash flows are required.



MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2013

NOTE 10 - FINANCIAL STATEMENT PRESENTATION: (Continued)

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the organization to expend part or all of the income derived from the donated assets.

NOTE 11 - LEASES:

The Organization had an annual lease with the St. John's Community Enrichment Center (CEC), effective August 1, 2000 that calls for payments in the amount of \$2,800 per month for use of facilities, and is renewable annually for up to fifteen years. The Organization also has an annual lease with Smith & Smith, Limited, effective February 2, 2002 that calls for payments in the amount of \$600 per month for the use of facilities and is renewable annually for up to fifteen years. The Organization also has an annual lease with the St. John's Community Enrichment Center, effective April 1, 2009, that calls for payments in the amount of \$600 per month for use of office space, and is renewable annually for up to 5 years.

NOTE 12 - SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2013

NOTE 12 - SUBSEQUENT EVENTS: (Continued)

the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through September 24, 2013, the date the report was available for issue, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

NOTE 13 - UNCERTAIN TAX POSITIONS:

The Organization is subject to examination by various taxing authorities, including federal income tax examinations. Management has reviewed the Organization's activities and believes that no additional amounts or disclosures are needed, as the effect of any uncertain tax positions is not material to the financial statements. The tax returns for the years 2012, 2011, 2010, and 2009 are open for examination by various taxing authorities.

NOTE 14 - BUDGET POLICY:

Budgets for the various programs are prepared by the Organization's Executive Director and approved by grantor of the funds for each respective program. Budgets versus actual expenditures are presented in the supplementary data for each grant period ending during the year ended March 31, 2013.

NOTE 15 - FUND-RAISING:

During the year, the Organization participated in a Bingo fund-raiser. The details of the fund-raising activities are as follows:

Gross Fund-Raising Revenue	125,818
Less: Cost of Direct Benefit to Participant	<u>98,425</u>
<u>Net Profit</u>	<u>27,393</u>

SUPPLEMENTARY FINANCIAL INFORMATION

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE PERIOD ENDED DURING FISCAL YEAR MARCH 31, 2013

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Budgeted Over (Under) Actual Expenditures</u>
<u>HEAD START</u>			
FYE March 31, 2013			
Personnel	1,463,676	1,411,296	(52,380)
Fringe Benefits	410,231	385,363	(24,868)
Travel	500	72,148	71,648
Contractual	71,228	62,792	( 8,436)
Operating Supplies	37,500	37,624	124
Other Costs	303,367	317,279	13,912
Capital Outlay	-	-	-
In-Kind Contributions	<u>571,626</u>	<u>571,626</u>	<u>-</u>
 <u>TOTALS</u>	 <u>2,858,128</u>	 <u>2,858,128</u>	 <u>-0-</u>

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2013

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements/ Expenditures</u>
Department of Agriculture State of Louisiana/ Department of Education Child Care Food Program FYE March 31, 2013	10.558	N/A	243,547
Department of Health and Human Services * Head Start	93.600	06CH0148/33	2,286,502
<u>Total Expenditures of Federal Awards</u>			<u>2,530,049</u>

\* Major Federal Program

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2013

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Morehouse Community Improvement Organization, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 SUBRECIPIENTS

Morehouse Community Improvement Organization, Inc. did not provide federal awards to subrecipients.

COMPLIANCE REPORTS

# JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

ROWLAND H. PERRY, CPA, APC  
CHARLES L. JOHNSON, JR., CPA  
VIOLET M. ROUSSEL, CPA, APC  
JAY CUTHBERT, CPA, APAC

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"The CPA. Never Underestimate The Value."

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- Accounting & Auditing
  - HUD Audits
  - Non-Profit Organizations
  - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
  - Individual & Partnership
  - Corporate & Fiduciary
- Bookkeeping & Payroll Services

September 24, 2013

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Directors

Morehouse Community Improvement Organization, Inc.  
Bastrop, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Morehouse Community Improvement Organization, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Morehouse Community Improvement Organization, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morehouse Community Improvement Organization, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a



deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morehouse Community Improvement Organization, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Johnston, Perry, Johnson & Associates, L.L.P.*

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

# JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

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September 24, 2013

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
Morehouse Community Improvement Organization, Inc.  
Bastrop, Louisiana

### **Report on Compliance for Each Major Federal Program**

We have audited Morehouse Community Improvement Organization, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Morehouse Community Improvement Organization, Inc.'s major federal programs for the year ended March 31, 2013. Morehouse Community Improvement Organization, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Morehouse Community Improvement Organization, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local*

*Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morehouse Community Improvement Organization, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Morehouse Community Improvement Organization, Inc.'s compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Morehouse Community Improvement Organization, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2013.

#### ***Report on Internal Control over Compliance***

Management of Morehouse Community Improvement Organization, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered Morehouse Community Improvement Organization, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morehouse Community Improvement Organization, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material

noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Johnston, Perry, Johnson & Associates, L.L.P.*

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

\* Material weakness(es) identified: ☐ yes ☒ no

\* Significant deficiency(s) identified that are not  
Considered to be material weaknesses? ☐ yes ☒ no

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

\* Material weakness(es) identified: ☐ yes ☒ no

\* Significant deficiency(s) identified that are not  
Considered to be material weaknesses? ☐ yes ☒ no

Type of auditors' report issued on compliance for major programs:  
Unqualified

Any audit findings disclosed that are required to be  
Reported in accordance with Section 510(a) of  
Circular A-133? ☐ yes ☒ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.600	Department of Health & Human Services - Head Start

Dollar threshold used to distinguish  
Between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for the year ended March 31, 2013.

SECTION III - MAJOR PROGRAMS FINANCIAL STATEMENT FINDINGS AND  
QUESTIONED COSTS

There were no findings or questioned costs for the year ended March 31, 2013.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS  
MARCH 31, 2013

There were no findings for the year ended March 31, 2012.